

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Petition of the United States Postal Service
For The Initiation of A Proceeding to Consider Proposed
Changes in Analytical Principals (Proposals Six and Seven)

Docket No. RM2012-7

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued September 14, 2012)

To clarify the record, the Postal Service is requested to provide written responses to the following questions. Answers should be provided as soon as possible, but no later than September 21, 2012.

Proposal Six

1. The Petition (at 4) states:

Using the FPS data source for the ICRA's reporting of Inbound International revenue, pieces, and weights would *improve the consistency* among the ICRA, RPW, and financial statements, and it would eliminate the need to make separate Booked Inbound International revenue calculations in the ICRA. (Emphasis added.)

For the FY 2012 International Cost and Revenue Analysis (ICRA), please confirm that the revenue, pieces, and weights reported for Inbound International Mail in the Excel files Reports (Booked).xls and Reports.xls will be the same as the revenue, pieces, and weights reported for such mail in the Revenue, Pieces and Weight Report (RPW). If not confirmed, please explain how the Foreign Postal System (FPS) data source would improve the consistency among, and describe all differences between, the Excel files Reports (Booked).xls and Reports.xls, and the RPW.

2. The Petition (at 4) states:

Note that this proposal does not entirely eliminate the need for both the Booked and Imputed versions because it does not address the Outbound International calculations.

- a. For the FY 2012 ICRA, please explain why there should continue to be differences in the calculation of settlement costs (*i.e.*, the amount of terminal dues, etc., paid to foreign postal administrations) paid by the Postal Service for Outbound International Mail between the Excel files Reports (Booked).xls and Reports.xls.
 - b. Please confirm that the Postal Service intends to eliminate the differences in the calculation of settlement costs for Outbound International Mail between the Booked and Imputed versions presented in the ICRA. If not confirmed, please explain.
3. Please refer to the Petition at pages 4 and 5 under the heading “**Impact.**” Also, please refer to Library Reference USPS-LR-RM2012-7-NP1, and the Excel file Attachment 1.xls, which show that the Imputed (Scenario III) and Booked (Scenario IV) versions of the ICRA based upon FY 2011 FPS data report an increase in pieces of 2.89 percent and an increase in weight of 1.96 percent compared to the FY 2011 Booked version of the ICRA presented in Library Reference USPS-FY2011-NP2, Excel file Reports (Booked).xls. By contrast, in both the Imputed and Booked versions of the ICRA based upon FPS data, revenue decreases by 0.26 percent and 0.81 percent, and volume variable costs decrease by 1.23 percent and 0.01 percent, respectively. Please explain how revenue and volume variable costs decrease as pieces and weight increase.

4. Please refer to Library Reference USPS-LR-RM2012-7-NP1, and the Excel file Attachment 1.xls. This file compares the Revenue, Volume Variable Cost, Product Specific Cost, Contribution, Pieces, Volume Net Pounds, and Gross Pounds for the Imputed (Scenario III) and Booked (Scenario IV) versions of the ICRA based upon FY 2011 FPS data to the FY 2011 Booked version of the ICRA presented in Library Reference USPS-FY2011-NP2, Excel file Reports (Booked).xls. Attachment 1.xls is not linked to any files or data sources used to develop the items presented therein. As a result, certain figures cannot be reproduced (*i.e.*, cells F22, F26, N22, N26, R22 and R26). Please provide Attachment 1.xls linked to all files, data sources and financial models used to develop the revenues, costs, pieces and weight presented in Attachment 1.xls.
5. The Petition (at 3) states, "With the use of FPS, there will no longer be a need for sheets for Air Transit Revenues and Inbound IPK." Library Reference USPS-LR-RM2012-7-NP1, Excel file Inputs.xls, shows the Air Transit Revenues worksheet tab highlighted in red, which indicates it will be deleted. The Air Transit Revenues worksheet includes a note stating that air transit revenues are "[n]ow included by country with terminal dues inbound revenue." Library Reference USPS-FY2011-NP2, Excel file Inputs.xls, worksheet tab Air Transit Revenues, shows these revenues in Cell G5 for "Open & Closed Air LC, AO, CP, M, EXPM."
 - a. In addition to reporting air transit revenues "with terminal dues inbound revenue for 'Air LC [and] AO,'" please confirm that air transit revenues will also be separately reported along with inbound revenue for Air "CP, M, [and] EXPM." If not confirmed, please explain.
 - b. In Library Reference USPS-LR-RM2012-7-NP1, Excel file Inputs.xls, the sum of air transit revenue shown for Air LC/AO in worksheet tabs Inbound Air KG CY1 and Inbound Air KG CY2 significantly exceeds the air transit revenue shown in Cell G5. Please explain.

Proposal Seven

6. Please provide the computer program and required input data used to expand the sample data and to generate distribution keys that incorporate the changes in this proposal. Please indicate the changes made to the current computer program to implement this proposal.
7. Please provide a comparison of the FY 2011 costs by class and subclass of mail separately for cost segments 8 and 14 using the current and proposed methodologies.
8. In the Appendix attached to Proposal Seven, the Postal Service states that the Origin-Destination Information System and Revenue, Pieces, and Weight (ODIS-RPW)-based factor of 0.785 will be applied for the subset of parcels identified as irregular in shape.
 - a. How do data collectors identify irregular-shaped parcels.
 - b. What is the percentage of irregular-shaped parcels in the total volume of all parcels?
 - c. Please describe the type of information that will be collected for irregular-shaped parcels under this proposal.

9. The Postal Service states that “[f]or the small proportion of sampled parcels for which useable dimensional information is unavailable (approximately 5% of sampled parcels), a smoothed composite 4-quarter density ratio is developed by major mail category to convert sampled weight (lbs.) measures for these parcels to cubic feet measures.” Petition, Appendix at 2.
 - a. Please describe the circumstances that generate unusable dimensional information.
 - b. Discuss and illustrate the methodology that will be used to smooth the 4-quarter density ratios.
10. Please refer to the table that contains estimated surface composite density factors (lbs./cubic feet) for those parcels with no dimensional information. *Id.* at 3.
 - a. Please provide similar estimated composite density factors for competitive parcel products with no dimensional information.
 - b. As shown in Table 1, below, the estimated surface composite density factors for First-Class, Standard, and Free Mail parcels are very different from the study-based density factors that are currently used in the Transportation Cost System (TRACS). Please explain the reasons for these differences.

Table 1**Comparison of Study-Based Density Factors with Estimated Composite Density Factors (Pounds/ Cubic Feet) for Parcels**

Description	Study-Based Density Factors (1)	Estimated Surface Composite Density Factors (2)	Percent Change
First-Class	6.3398	3.97	-37%
Standard	7.964	3.25	-59%
Free Mail	20.2793	14.28	-30%

Sources: *Study-Based Density Factors*: TRACS Highway Subsystem documentation, USPS-FY11-36, Appendix C, Table 1.

Estimated Surface Composite Density Factors: Petition, Appendix at 3.

By the Chairman.

Ruth Y. Goldway